

Message Text

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SUBJECT: YAR PUBLISHES EXPLANATORY NOTE ON TRADE RESTRICTIONS

REF: A) 75 SANA 2914, B) 75 TOKYO 15699, C) TOKYO 0198

1. BEGIN SUMMARY: YAR TRADE BOYCOTT MAY COST JAPAN \$50 MILLION AND COULD BE WINNING SUPPORT FROM OTHER ARAB COUNTRIES. YEMENIS WANT SATISFACTION ON SALT ISSUE.

2. YEMEN MINISTRY OF ECONOMY RECENTLY PUBLISHED SHORT "EXPLANATORY NOTE" DETAILING WHAT YARG CONSIDERS "UNJUSTIFIED" AND "UNBALANCED" TRADE RELATIONS WITH JAPAN. YARG REPORT RECORDS JAPANESE DIRECT AND INDIRECT EXPORTS TO YEMEN IN 1974 AS \$47 MILLION OR 17 PERCENT OF TOTAL 1974 YAR IMPORTS OF \$273 MILLION. THIS IS SUBSTANTIAL INCREASE FROM 1973 WHEN TOTAL JAPANESE EXPORTS TO YAR TOTALLED \$29 MILLION OR 15 PERCENT OF \$189 MILLION TOTAL. PROSPECT EXISTED OF COURSE FOR FURTHER INCREASES, GIVEN GROWING YEMENI DEMAND AND FOREIGN EXCHANGE. IT UNLIKELY THAT WITHOUT SALT PURCHASES JAPAN IMPORT OF YEMENI GOODS WILL GROW VERY MUCH. IMPORTS WERE \$4.4 1974 (LARGELY COTTON). THIS LARGE INCREASE OVER \$1.8 MILLION 1973 FIGURE BUT NOT FAR FROM LIMIT YEMEN COULD PRODUCE FOR EXPORT.

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3. REPORT MAKES POINT OFTEN MENTIONED

BY YARG OFFICIALS

THAT DEVELOPMENT OF LARGE AND EXPENSIVE SALT FACILITIES AT SALIF HARBOR LARGELY TAKEN IN RESPONSE JAPANESE REQUESTS FOR BETTER SALT SHIPPING AND LOADING FACILITIES AT TIME JAPAN SOLE PURCHASER OF YEMENI ROCK SALT. STATES THAT THESE IMPROVEMENTS--FINANCED BY KUWAIT FUND LOANS--COST \$30 MILLION. LOAN REPAYMENT MUST START THIS YEAR, AND THERE ARE NO CUSTOMERS FOR SALT.

4. REPORT ADDS THAT DURING NUMEROUS VISITS OF SENIOR JAPANESE OFFICIALS TO YEMEN, YARG EXPLAINED ITS FEAR THAT JAPANESE REFUSAL BUY ROCK SALT WOULD HAVE DISASTROUS EFFECT ON BALANCE OF TRADE AND EVENTUALLY HANDICAP GOT

BILATERAL RELATIONS BETWEEN THE TWO COUNTRIES. DURING 1974 GOJ FOMIN HATANO VISIT, JAPANESE ALLEGEDLY AGREED TO "CLEARLY GIVE ITS WORD ABOUT THIS PROBLEM" BY OCT 15, 1975. WORD WAS THEY COULD BUT SALT, SO COUNCIL OF MINISTERS RESTRICTED IMPORTATION OF JAPANESE GOODS. SUBSEQUENT JAPANESE RESPONSE DESCRIBED IN REPORT AS "VERBAL WILLINGNESS" (BY JAPANESE NON-RESIDENT AMBASSADOR) AND PROMISE TO OFFER SOLUTIONS. YARG NOT SATISFIED BY THIS APPROACH AND AT ARAB ECONOMIC MINISTERS CONFERENCE ASKED INTERVENTION OF "FRIENDLY COUNTRIES AND ARAB ORGANIZATIONS" TO ENCOURAGE JAPAN RECONSIDER ITS OBJECTIONS TO PURCHASE YEMEN SALT.

5. ACCORDING YAHYA JEGHMAN, DEPUTY PRIMIN FOR EPLLNOMIC AND FOREIGN AFFAIRS, FOLLOWING APPEAL TO ARAB ECONOMIC MINISTERS CONFERENCE, SYRIA AND KUWAIT AGREED TO REVIEW JAPANESE BIDS IN THEIR COUNTRIES UNTIL GOJ ATTITUDE CHANGED.

5. COMMENT: IT IS CLEAR FROM DISCUSSIONS WITH YARG OFFICIALS THAT YEMEN PREPARED TO REGULARIZE TRADE AND POLITICAL RELATIONS WITH JAPAN ONLY IF SOME FAVORABLE SOLUTION FOUND TO THE SALT IMBROGLIO. CRUCIAL POINT EMPHASIZED BY THESE OFFICIALS IS THAT YARG DOES NOT LIMITED OFFICIAL USE

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REALLY CARE IF JAPANBUYS SALT IF IT GETS JAPANESE ASSISTANCE IN SELLING IT. A SUCCESSFUL EFFORT THIS DIRECTION WOULD HAVE TWO FACETS: FIRST, PROBABLY THAT PROCESSING PLANT MUST BE CONSTRUCTED AT SALIF TO INSURE YEMEN SALT OF SUFFICIENT PURITY TO COMPETE WITH OTHER PRODUCERS IN WORLD MARKET. SECOND, SALT COMPANY NEEDS ADMINISTRATIVE AND MARKETING DIRECTION, AND YARG FEELS JAPAN IN BEST

POSITION TO DIRECT FACILITY UNTIL IT CAN BECOME
VIALE PROPOSITION UNDER YEMENI SUPERVISION.
DOUBTFUL AT THIS TIME THAT OTHER JAPANESE TECHNICAL
ASSISTANCE IN NON-SALT FIELD AND/OR STATIONING OF
JAPANESE DIPLOMATS IN SANA WILL PROVIDE SUFFICIENT
IMPETUS FOR YARG TO SIGNIFICANTLY ALTER ITS CURRENT
POSITION, BUT YBLENIS WILLING TO LISTEN TO ANY SUBSTANTIVE
JAPANESE PROPOSAL. IN MEANTIME, AGAIN ACCORDING TO JEGHMAN,
ANY HIGH LEVEL YEMENI VISIT TO JAPAN IS OFF UNTIL SOLUTION
FOUND. YEMENIS BELIEVE BOYCOTT IS TAKING HOLD, MAYBE
SPREADING TO OTHER ARAB COUNTRIES. WE ARE LESS SANGUINE, BUT
NEXT MOVE SEEMS UP TO GOJ.
SCOTES

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